



August 27, 2014

Commissioner Clayton Christian
Office of the Commissioner of Higher Education
Montana University System
PO Box 203201
Helena, MT 59620-3201

Dear Commissioner Christian,

I am pleased to provide our campus's third annual report as required under BOR Policy 901.9 (Campus Affiliated Foundations). Besides detailing UM funds directed to the University of Montana Foundation over the past three years, the report also provides a summary of fundraising activity (amounts and number of donations), the amount the UM Foundation transferred to the University, and the return on the UM Foundation's long-term investment portfolio. We will provide our audited financial statements when they are available in late September.

Last year at this time, the Foundation's Board of Trustees endorsed the launching of Investing in Student Success, a three-year initiative designed to raise funds for ten significant priorities. These priorities were identified by the University and are intended to (1) expand the number of scholarships available to University students, (2) fund key programs like the Global Leadership Initiative and the Davidson Honors College, and (3) enhance student study and athletic facilities. I am pleased to report that after the initiative's first year, we raised approximately \$22 million towards these priorities. This will provide approximately one million in additional available scholarship dollars for the current academic year.

Please note that our annual report includes figures relating only to those private support dollars that were received through the Foundation. Our fundraising total reported in the press—\$53.7 million—also includes private support direct to the University (\$9.9 million).

We consider it an honor and privilege to be able to partner with the University in raising private funds. As always, please let me know if you have questions about the content of this report.

A handwritten signature in blue ink that reads "Shane Giese".

Shane Giese
President and CEO

C: Royce C. Engstrom, President, University of Montana
Mike McDonough, Chair, University of Montana Foundation Board of Trustees
Mick Robinson, Deputy Commissioner

THE UNIVERSITY OF MONTANA FOUNDATION
TABLE I - FOUNDATION SUPPORT OF UNIVERSITY

	FY2014	FY2013	FY2012
Foundation Funds to University [1]			
Scholarships	\$ 4,377,515	\$ 3,283,678	\$ 3,161,763
Programmatic	\$ 7,042,374	\$ 6,219,880	\$ 5,412,735
Capital	\$ 967,033	\$ 1,688,026	\$ 785,726
Contracted Services [2]	\$ 296,544	\$ 236,865	\$ 288,916
Total Foundation Funds Directed to the University	\$ 12,683,466	\$ 11,428,449	\$ 9,649,140
University Funds to Foundation			
Development Services [3]	\$ 500,000	\$ 425,000	\$ 425,000
Investment Administrative Fee [4]	\$ 330,194	\$ 312,163	\$ 322,590
Campaign Readiness Funding [5]	\$ -	\$ 56,000	\$ 76,000
Total University Funds Directed to Foundation	\$ 830,194	\$ 793,163	\$ 823,590
Foundation Funds Directed by University to Foundation			
Development Salaries & Benefits, Cost Share [6]	\$ 391,500	\$ 419,862	\$ 430,113
Unrestricted Bequests [7]	\$ 253,610	\$ 175,000	\$ 402,971
Support for Investing in Student Success Initiative [8]	\$ 400,000	\$ -	\$ -
Total Foundation Funds Directed to Foundation	\$ 1,045,110	\$ 594,862	\$ 833,084
Total University and University-Directed Funds	\$ 1,875,304	\$ 1,388,025	\$ 1,656,674
Net Foundation Funds to University	\$ 10,808,162	\$ 10,040,424	\$ 7,992,466

[1] Foundation held funds transferred to or on the behalf of the University. Amounts include spending from donor restricted as well as unrestricted gifts and bequests.

[2] Foundation payments for services rendered by the university.

[3] University payments to foundation for contracted services per Operating Agreement.

[4] Administrative Fee assessed on university owned endowment funds managed by the Foundation.

[5] Funded by a special initiative included in the University's FY 12/13 budget.

[6] Foundation held funds directed by the University to pay up to 50% of certain development officer salaries and benefits as set out in the Operating Agreement.

[7] Includes the designation of bequest in FY 2012, to assist the Foundation's long term leasing of space in the proposed Gilkey Center for Executive Education as a means of completing the funding for that project.

THE UNIVERSITY OF MONTANA FOUNDATION

TABLE II - Investment Management

	FY 2014	FY 2013	FY 2012
<u>Long Term Investment Portfolio Balance</u>			
Foundation Funds	\$ 144,844,919	\$ 119,041,651	\$ 106,345,646
Agency Funds [1]	\$ 19,048,860	\$ 16,906,659	\$ 15,946,368
Related Agency Funds [2]	\$ 2,933,473	\$ 2,432,305	\$ 2,051,789
TOTAL	\$ 166,827,252	\$ 138,380,615	\$ 124,343,803

	Annualized Return - FY 2014			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Long Term Investment Portfolio Balance	17.0%	9.0%	13.1%	6.7%
Benchmark [3]	13.4%	7.0%	11.2%	8.0%

[1] Funds owned by the University

[2] Funds owned by a third party agency or other university affiliated 501(c)(3)

[3] Index is a diversified benchmark comprised of eleven different indices to encompass all aspects of our portfolio.

(Benchmark is established by the UM Foundation's Investment Committee.)

THE UNIVERSITY OF MONTANA FOUNDATION
TABLE III - SELECTED PERFORMANCE METRICS

	FY 2014		FY2013		FY 2012	
DEVELOPMENT SERVICES						
<u>Fundraising</u>						
Gifts & Pledges						
> \$10,000	245	\$ 21,670,900	158	\$ 7,406,228	194	\$ 8,408,665
\$1,000 - \$10,000	1,406	\$ 3,627,269	1,363	\$ 3,383,191	1,314	\$ 3,100,200
< \$1,000	13,176	\$ 2,228,552	11,930	\$ 2,052,966	12,179	\$ 2,098,445
Conditional Pledges [1]	30	\$ 16,298,034	28	\$ 4,637,361	86	\$ 5,391,454
Total	14,857	\$ 43,824,755	13,479	\$ 17,479,746	13,773	\$ 18,998,764
<u>Invested</u>						
% Endowed	60.0%	\$ 26,304,738	25.5%	\$ 4,466,011	35.0%	\$ 6,654,418
% Current	40.0%	\$ 17,520,017	74.5%	\$ 13,013,735	65.0%	\$ 12,344,346
Total		\$ 43,824,755		\$ 17,479,746		\$ 18,998,764
<u>Restriction</u>						
% Restricted	99.6%	\$ 43,656,368	97.5%	\$ 17,049,198	97.2%	\$ 18,470,896
% Non-Restricted	0.4%	\$ 168,387	2.5%	\$ 430,548	2.8%	\$ 527,868
Total		\$ 43,824,755		\$ 17,479,746		\$ 18,998,764
<u>Purpose</u>						
% Scholarships	30.1%	\$ 13,175,228	26.0%	\$ 4,536,829	25.0%	\$ 4,745,070
% Programmatic	66.7%	\$ 29,211,052	71.2%	\$ 12,445,816	67.3%	\$ 12,789,258
% Capital	3.3%	\$ 1,438,475	2.8%	\$ 497,101	7.7%	\$ 1,464,436
Total		\$ 43,824,755		\$ 17,479,746		\$ 18,998,764
<u>Other Activities</u>						
Distributions [3]	3,798	\$ 12,386,922	3,691	\$ 11,428,449	4,026	\$ 9,649,140
Donor Funds [4]	1,901	\$ 219,533,769	1,901	\$ 185,738,755	1,860	\$ 170,081,892
Receipts and Acknowledgements [5]	19,140		18,031		18,121	

[1] Conditional pledges, documented bequests, and revocable commitments

[2] Declining distributions reflect increased bundling of distributions and increased use of ACH transfers

[3] Variation in dollars distributed is due in large part to varying amounts of construction activity.

[4] Amount includes assets of donor funds held by the Foundation.

[5] Receipts and acknowledgements include pledge payments and memo credits and is therefore greater than the number of gifts and pledges made (see above).